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SUBJECT: U/S HORMATS MEETINGS ON RUSSIAN BILATERAL ECONOMIC  
ISSUES AND THE BILATERAL PRESIDENTIAL COMMISSION

Classified By: AMBASSADOR JOHN BEYRLER, REASON 1.4 (B) AND (D)

Summary

1. (C) Under Secretary of State for Economic, Energy and Agricultural Affairs Robert Hormats visited Moscow from 1-3 December, conducting meetings with a wide variety of audiences, including the Russian Presidential Administration, Russian Foreign Ministry and Economic Development Ministry officials, Gazprom executives, and representatives of the American and Russian business communities. This cable reports on Under Secretary Hormats' meetings with Russian government officials related to U.S.-Russia bilateral economic issues and the Bilateral Presidential Commission. Energy issues and multilateral economic issues are reported separately. End summary.

2. (C) Under Secretary Hormats held extensive discussions with a Russian Foreign Ministry team, led by Deputy Foreign Minister Denisov and including Amb. Malayan, the point person within the Russian Foreign Ministry on the Bilateral Presidential Commission. Ministry of Economic Development representative Yelana Danilova joined the group during a working lunch and participated actively in the discussion, particularly on issues related to the Bilateral Presidential Commission. In a separate meeting with Russian Presidential Economic Advisor Arkadiy Dvorkovich, the Under Secretary also addressed these issues and exchanged views on key aspects of the bilateral economic relationship.

Bilateral Economic Issues

3. (C) Denisov opened the discussion at the Foreign Ministry by emphasizing that the relationship is more important than figures indicate. Even with a 40% drop in Russian trade turnover this year, U.S.-Russian bilateral trade is substantial for Russia. Denisov would like to encourage and enhance its development. He noted the importance of publicizing success stories--U.S. companies are working not only in the energy sector, but also in foodstuffs, financial services, consulting. Denisov also brought up the Opel/Magna deal. Denisov observed that, as a taxpayer, he could support the Opel/Magna decision, but noted that it creates "confusion" in the public. He stated that Putin had decided "not to make an issue of it," but noted that it leaves a bad aftertaste for the Russians. Denisov noted that there are still some unwanted leftovers from the past, including prejudices and suspicions. There are different views in different communities within Russia. In his view, we need to stay optimistic in order to overcome these moments. MFA would like to reduce the negative impacts of trade difficulties so that it can play a positive role in the overall bilateral relationship.

14. (C) Under Secretary Hormats agreed with the need to have trade play a positive role in the relationship. On the topic of the Opel/Magna deal, Hormats stressed that the decision was taken by GM, not by the USG, and that GM wanted to continue to maintain its close relationship with its Russian partners. Hormats also note that we want to increase trade and investment that bring the two countries together and which create jobs, such as the John Deere plant. Investment is one of the areas we'd like to emphasize within the Bilateral Presidential Commission discussions. While neither country is ready to begin negotiations on a bilateral investment treaty, we do want to discuss ways to improve cooperation in investment. Denisov agreed with this suggestion.

15. (C) Denisov also expressed a desire for increased technological cooperation. He noted that the Working Group on Science and Technology is looking at setting up a new group to encourage cooperation.

#### Bilateral Presidential Commission

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16. (C) Business Development and Economic Relations Working Group: Russian Ministry of Economic Development representative Yelana Danilova noted the complexity of the issues under the rubric of this working group, and stated that there is a need for a strategic approach to bring together the various specific details. In her view, market access issues will not be key for the group, although they will be part of the on-going relations. Instead, the Russia side would like to focus on modernization and technological

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development.

17. (C) During a separate meeting with Presidential Advisor Dvorkovich, Hormats commented positively on President Medvedev's November 11 State of the Nation speech, with its emphasis on modernizing the Russian economy through innovation and diversification. Dvorkovich noted that since the speech, many Russians had come forth with project proposals, but that the guiding criteria for the GOR was their international competitiveness. He said that the GOR was eager to explore ways to expand cooperation with the US on high-tech innovation and investment. Dvorkovich added that he planned to visit MIT en route to Washington in January. He also had received proposals from Microsoft and Cisco on innovation and high-tech cooperation. Hormats offered his support for those and other innovation projects.

18. (C) In Danilova's view, there is also a need to address migration questions and to work on removing the administrative procedures in order to assist companies which would like to transfer and recruit key managerial personnel. These issues were also raised by both Russian and U.S. companies during separate meetings with business.

19. (C) According to Danilova, investment is another area that this group should address. She noted that the Russians are looking into modifications of the Foreign Investment Advisory Committee (FIAC) to create a "window" for American companies who are experiencing difficulties. Danilova reported that Deputy Minister Slepnev is interested in this approach and is soliciting the views of companies. Presidential Advisor Dvorkovich also noted that, following Slepnev's recent trip to Washington, he expressed concern that several of the USG counterparts on the Business Development and Economic Relations Working Group had not been named.

110. (C) Danilova also noted that they support looking at a business-to-business dialogue, but only as a supplement to government-to-government discussions. The governments should take up issues identified by businesses. Businesses, for their part, emphasized their desire to participate actively

in the Commission process.

¶11. (C) Health Care: During the discussion at the MFA, Under Secretary Hormats noted that we would like to have productive discussion on health issues, because both countries have significant challenges in this sector. He noted that bringing in the private sector, NGOs, health workers, as well as governments, would lead to better discussions with real benefits for the average citizens in both countries. Danilova responded that they are ready to engage in consultations.

¶12. (C) Agriculture: Hormats expressed the view that this discussion should be government-only for now, as there are a number of controversial bilateral issues where progress would be helpful. He noted that this is another area where we could look for cooperative actions. Ambassador Malayan noted that the telcon scheduled for December 14 will be important to establishing the agenda for this group.

¶13. (C) Energy: Denisov acknowledged that they are still looking for the individuals to head up the Russia sub-groups, particularly the group on energy security. During the meeting with Presidential Advisor Dvorkovich, he assured Hormats he would see that the Russian side identified a co-chair for the Energy Security Sub-Group.

¶14. (U) This cable has been cleared by U/S Hormats' delegation.

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